

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF ROUGH RIVER	)	
WATER SYSTEM, INC., FOR A	)	
PURCHASED WATER ADJUSTMENT	)	CASE NO. 8290
CLAUSE AND AN ADJUSTMENT OF	)	
ITS RATES IN ACCORDANCE WITH	)	
SAID CLAUSE	)	

O R D E R

On July 23, 1981, Rough River Water System, Inc., ("Rough River") filed an application with this Commission for approval of a purchased water adjustment clause to be included in its tariff and permission to adjust the rates charged to its customers in accordance with the provisions of the requested purchased water adjustment clause.

On November 4, 1980, Rough River's supplier, Ohio County Water District, notified it that retroactive to November 1, 1980, the cost of water to Rough River was increased from \$.48 to \$.78 per 1000 gallons. This represents a 63% increase over the previous rate. To offset this cost increase, Rough River proposed to adjust its customer rates in accordance with the provisions of the Commission's pending purchased water adjustment clause regulation.

On September 11, 1981, a hearing was held in the Commission's offices in Frankfort, Kentucky, to allow public

comments on the reasonableness of a purchased water adjustment clause and the proposed rate increase. No intervenors were present. Rough River failed to attend this hearing and provided no advance notice of its intended absence. The Commission serves notice that this practice will not be permitted in the future.

Rough River timely filed responses to the staff requests for additional information.

The Commission, after reviewing all of the evidence of record and being advised, is of the opinion and finds that:

(1) Rough River Water System, Inc., does not have a purchased water adjustment clause on file with this Commission.

(2) A purchased water adjustment clause is in the best interest of the public and is the most cost effective way for Rough River to recover the increased water costs approved for Ohio County Water District, effective November 1, 1980.

(3) Rough River's financial condition will not permit absorption of a purchased water cost increase.

(4) Rough River incurred a 31% water line loss during the test period operations.

(5) The maximum line loss allowed by the Commission to be borne by a water utility's customers is 15%.

(6) The rates contained in Appendix A to this Order are the fair, just and reasonable rates required to permit recovery of the increase in purchased water cost based on a 15% line loss.

(7) Rough River's proposed rates will produce revenues in excess of those required to recover the increased cost of water and should be denied upon application of 807 KAR 5:067.

(8) Rough River's proposal to eliminate the last step from the declining rate structure should be denied as it would result in a rate increase to certain customers.

IT IS THEREFORE ORDERED that the purchased water adjustment clause in Appendix A is in the best interest of the public and is hereby approved.

IT IS FURTHER ORDERED that the rates sought by Rough River insofar as they produce revenues in excess of the increased cost of water based on a 15% line loss are hereby denied upon application of 807 KAR 5:067.

IT IS FURTHER ORDERED that the rates in Appendix A are the fair, just and reasonable rates and are hereby approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Rough River shall file with this Commission within 20 days of this Order its revised tariff sheets setting out the rates prescribed herein.

Done at Frankfort, Kentucky, this 29th day of October, 1981.

PUBLIC SERVICE COMMISSION

Martin W. Voh  
Chairman

Katharine Randall  
Vice Chairman

Jim Carver  
Commissioner

ATTEST:

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Secretary

## APPENDIX A

### APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8290 DATED OCTOBER 29, 1981

The following rates are prescribed for customers served by Rough River Water System. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

#### Rates

The rates for water services rendered by Rough River to its customers shall be as follows:

First	2,000 gallons used per month	\$ 7.20 minimum
Next	4,000 gallons used per month	2.35 per 1,000 gallons
Next	4,000 gallons used per month	1.60 per 1,000 gallons
Next	30,000 gallons used per month	1.35 per 1,000 gallons
Next	60,000 gallons used per month	1.25 per 1,000 gallons
Next	100,000 gallons used per month	1.15 per 1,000 gallons
Over	200,000 gallons used per month	1.05 per 1,000 gallons

#### Purchased Water Adjustment Applicable to the Rough River Water System, Inc., Rate Schedule

The retail rates now authorized and operable are based upon the wholesale cost of water to Rough River pursuant to valid contracts or wholesale tariffs on file with the Commission. For purposes of this purchased water adjustment clause, these wholesale rates shall be considered as the base rate for purchased water.

Application for Change in Base Rate. In the event there is a change in the base rates, Rough River shall file with the Commission the following information:

(1) A copy of the wholesale supplier's tariff effecting a change in the base rate and a statement from the wholesale supplier evidencing the effective date of the new rates;

(2) A detailed statement of water purchased under the base rate for previous 12 months showing billing under the base rate and the applicable proposed rate;

(3) A detailed statement of water sold for the same 12-month period;

(4) A balance sheet and statement of operating expenses and revenues corresponding to the same 12-month period, said period ending not more than 90 days prior to the date of this utility's application for an increase in the base rate;

(5) Evidence that Rough River has notified its customers of the proposed change, in the event of an increase only;

(6) Revised tariff sheets reflecting the rates Rough River proposes to charge; and

(7) Such other information as the Commission may request for a proper determination of the purchased water adjustment.

Upon receipt of all the necessary information, the Commission will review the effect of the changed rate upon Rough River's operations and if an increase is proposed, determine whether all or a part of the increase can be absorbed by Rough River. Rough River shall not implement its proposed revised rates until the Commission issues an Order authorizing Rough River to adjust its rates. If an adjustment is authorized, the supplier's changed rate shall become the supplier's base rate for use in future applications.

The maximum amount of the adjustment so ordered shall not produce revenue adjustments greater than the difference between the purchased water billed at the base rate and the purchased water billed at the authorized revised rate.

The notice required by (5) may be accomplished by a bill insert.

Calculation of the Purchased Water Adjustment. If a change is made in a base rate charged to Rough River by its supplier(s), the unit charges of the wholesale tariff shall be increased or decreased by a purchased water adjustment calculated as follows:

(1) Water purchases shall be computed at the supplier's base rate and the supplier's new rate using a period of 12 calendar months ending within 3 months preceding the month of the effective date of the supplier's rate change. The difference between these amounts shows the total change in Rough River's purchased water costs.

(2) The total change in purchased water costs shall be divided by the actual number of cubic feet or gallons sold, yielding the purchased water adjustment expressed in cents per cubic feet or gallons, unless Rough River's water purchases exceed 115 percent of water sales during the 12-month period.

(3) In instances where water purchases exceed 115 percent of water sales, the actual water sales shall be divided by 85 percent, yielding the maximum allowable water purchases. The maximum allowable water purchases shall then be multiplied by the change in cost per cubic foot or gallon, yielding the total allowable change. The total allowable change shall then be divided by the actual number of cubic feet or gallons sold, yielding the purchased water adjustment expressed in cents per cubic feet or gallons.

Procedure for Distribution of Refunds from Suppliers. In the event Rough River receives a refund from its supplier for amounts previously paid, Rough River shall immediately apply to the Commission for authority to make adjustments on the amounts charged customers' bills under this regulation as follows:

(1) The total refund received by Rough River shall be divided by the number of cubic feet or gallons of water the water utility estimates it will sell to its customers during the 4-month period beginning with the first day of the month following receipt of the refund, yielding a refund factor.

(2) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, Rough River will reduce by the refund factor any purchased water adjustment that would otherwise be applicable during the period. The period of reduced purchased water adjustment shall be adjusted, if necessary, in order to most nearly approximate the total amount to be refunded.

(3) In the event Rough River receives a large or unusual refund, Rough River may apply to the Commission for a deviation from the procedure for distribution of refunds specified herein.

The base rate for purchased water for the future application of its purchased water adjustment clause is:

<u>Supplier</u>	<u>Rate</u>
Ohio River Water District	\$0.78 per 1,000 gallons